

No part of the candidate evidence in this exemplar material may be presented in an external assessment for the purpose of gaining credits towards an NCEA qualification.

3

91406



914060



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

SUPERVISOR'S USE ONLY

Level 3 Accounting, 2014

91406 Demonstrate understanding of company financial statement preparation

9.30 am Friday 21 November 2014
Credits: Five

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of company financial statement preparation.	Demonstrate in-depth understanding of company financial statement preparation.	Demonstrate comprehensive understanding of company financial statement preparation.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

Pull out Resource Booklet 91406R from the centre of this booklet.

You should attempt ALL parts of all questions in this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–10 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Excellence

TOTAL

24

ASSESSOR'S USE ONLY

QUESTION ONE

Refer to Resource One in Resource Booklet 91406R to answer this question.

- (a) Prepare the General Journal entries indicated by the narrations in the General Journal below, using relevant information from Resource One.

Colin's Construction Company Limited
General Journal

		NZ\$000	NZ\$000
31/3/2014	land	50	
	ga land revaluation surplus		50
	To record the revaluation of land to fair value		
31/3/2014	Shares in A1 Building supplies Limited	8	
	Increase in fair value of financial assets		8
	To record the revaluation of shares in A1 Building Supplies Ltd to fair value		
31/3/2014	Income tax expense	70	
	Taxation payable		70
	To record income tax expense of \$70 000		

- (b) Prepare the General Ledger accounts indicated using relevant information from Resource One.

Colin's Construction Company Limited
General Ledger
Buildings

		NZ\$000	NZ\$000	NZ\$000	
1/4/13	Balance			500	Dr
31/3/14	Accumulated depreciation ^{on buildings}		65	485	Dr
	Building revaluation surplus	75		510	Dr

Buildings Revaluation Surplus

		NZ\$000	NZ\$000	NZ\$000	
1/4/13	Balance			40	Cr
31/3/14	Buildings		75	115	Cr

- (c) Complete the Statement of Comprehensive Income (extract) for Colin's Construction Company Limited.

Colin's Construction Company Limited
Statement of Comprehensive Income (extract)

	NZ\$000
Profit before taxation	250
Taxation expense	(70)
Profit after tax	180
Plus: Other comprehensive income:	
gain on revaluation of buildings	75
gain on revaluation of land	50
Total other comprehensive income	125
Total comprehensive income for the year	305

- (d) Explain the accounting treatment of the revaluation of land in the financial statements of Colin's Construction Company Limited. You can use the abbreviation CCCL in your answer.

The revaluation of the land means the fair value of the land owned increases. So in the financial statements of CCCL, the property plant and equipment asset, land increases by \$50 000, which increases the net assets by \$50 000 in the statement of financial position. And as the land revaluation surplus therefore increases by \$50 000, the equity increases by \$50 000 in the statement of financial position. Also \$50 000 is recorded as an other comprehensive income called gain on revaluation of land in the statement of comprehensive income.

QUESTION TWO

Refer to Resource Two in Resource Booklet 91406R to answer this question.

(a) Complete Rock Gymnasiums Limited's Statement of Cash Flows (extract).

Notes:

- You are not required to complete the Operating Activities of the Statement of Cash Flows, as the Net Cash Inflow from operating activities has been calculated for you.
- Space has been provided below for your working. This may be used for marking purposes.

WORKINGS

~~Cash Purchase of term deposit:~~

Term deposit : 633

purchase of shares : $1200 - 1000 = \$200$

S

purchase of equipment = $165 - 100 \Rightarrow \$65 - \5
= \$60

Share issue

$3000 - 500 = 2500 \rightarrow$ after repurchase

Share issue : $2750 - 2500 \Rightarrow \250

loan = $100 - 0 = \$100$

Share repurchase = 2.50×500000
= \$1250000

Dividends paid = $300 + 3490 - 750 = 3040$

$3040 - 250 = 2790$

Mortgage = $350 - 200$
= 150

Rock Gymnasiums Limited
Statement of Cash Flows (extract)
for the year ended 31 March 2014

	NZ\$000	NZ\$000	NZ\$000
Net cash inflow from operating activities			3537
CASH FROM INVESTING ACTIVITIES			
Cash was provided from:			
Term deposit	1430	633	
Cash was applied to:			
Purchase of shares in Gym Equipment Hire Ltd	200		
purchase of equipments	60	(260)	
Net cash inflow from investing activities			873
CASH FROM FINANCING ACTIVITIES			
Cash was provided from:			
Share issue	250		
loan raised	100	350	
Cash was provided to:			
Share repurchase	(1250)		
Mortgage repayment	(150)		
Dividends paid	(2790)	(4190)	
Net cash inflow ^{outflow} / decrease ^{activities} from financing			(3840)
Net increase / decrease in cash for the year			70
plus: Opening bank balance			25
0 closing bank balance			95

- (b) Explain, providing detailed reasons, why depreciation on property, plant and equipment should not be included in Rock Gymsnasiums Limited's Statement of Cash Flows.

Depreciation means the systematic allocation of cost of the property plant and equipment over its useful life period. Depreciation of Property plant and equipment is done ^{according} in order to a estimated percentage in order to give the users, most relevant information on ppe.

Depreciation on ppe does not involve any cash exchange. As cash flow statement of Rock Gymsnasiums Limited only includes cash transactions, the depreciation on Property, plant and equipment cannot be recorded in it.

ASSESSOR'S
USE ONLY

TC

2U
3I
10C
E8

QUESTION THREE

Refer to Resource Three in Resource Booklet 91406R to answer this question.

- (a) Complete the Income Statement for Christina Diory House of Fashion Limited for the year ended 31 March 2014.

Christina Diory House of Fashion Limited
Income Statement
for the year ended 31 March 2014

	NZ\$000	NZ\$000
Revenue: <u>Sales</u>		6500
Plus: Other income		300
Total Revenue		6800
Less: expenses		
Auditors remuneration	26	
Bad debts	25	
Communication expenses	129	
Cost of goods sold	1300	
Directors fees	500	
Donations	10	
Finance costs	147	
Other expenses	1138	
doubtful debts	(1)	
Inventory written down	3	
depreciation on equipment and fittings	3	
depreciation on buildings	30	
Total expenses		(3310)
Profit before tax		3490
Income tax expense		(980)
Profit for the year		\$ 2510

ASSESSOR'S
USE ONLYN
CC
H
C
C
H
H
H
H
H
H
C
C
C
C
C
I
C

- (b) Complete the Distributions note to the financial statements.

Christina Diory House of Fashion Limited
Notes to the Financial Statements (extract)
Distributions

	Cents per share	NZ\$000
Final dividend	12	30
Interim dividend	10	20
Total dividend	22	50
Share repurchase	-	750
Total distribution	-	800
Dividends declared after reporting date:		
On 30 April 2014 directors declared a final dividend of 20 cents per share, totalling \$ 40000 to be paid on 28 May 2014.		

- (c) Identify and explain in detail, ONE temporary current liability that will be created from the list of items in the additional information.

One temporary current liability that will be created is income in advance. This is because, the rent received for a month excluding GST will be \$ 5000, so for the year will be, \$ 60000. But Christina Diory House of Fashion Ltd has received \$ 65000 for the year, which means \$ 5000 for the rent has been received in advance. This \$ 5000 of rent received in advance is a temporary current liability called "income in advance" and will be reported in the statement of financial position in order to reflect the future outflow of economic benefits ^{from} Christina Diory House of Fashion Ltd. (has to provide ~~for~~ the building for the tenants and they will use it)

Extra space if required.
Write the question number(s) if applicable.

QUESTION
NUMBER

ASSESSOR'S
USE ONLY

ASSESSOR'S
USE ONLY

IC

IC

C

CC

C

C

IC

101

18C

E8

Excellence exemplar for 91406 2014			Total score	24
Q	Grade score	Annotation		
1	E8	This is an E8 because it shows comprehensive understanding with no errors.		
2	E8	This is an E8 because it shows comprehensive understanding with no errors.		
3	E8	This is an E8 because it shows comprehensive understanding with minimal errors.		